

**Prepared Remarks of U.S. Attorney Preet Bharara
Fifth Annual Mortgage Fraud Forum, “Boom to Bust”
New York State Department of Financial Services
FDNY Auditorium
May 16, 2012**

- Thank you, Ben, for the introduction.
 - o Ben has a tremendously difficult job.
 - o NYS DFS oversees \$6.2 trillion > gazillion
 - o Merging two departments can be a difficult and sensitive task.
 - o I can't imagine anyone being able to do it with more diligence and ease than Ben. You are lucky to have him.
- I was honored when Ben, an alum of my Office, asked me to speak at the Annual Mortgage Fraud Forum.
- DFS has been such an important partner to us in so many of our marquee mortgage fraud cases. And it has been a leader in the area, hosting this Forum for the last five years with the New York Prosecutors Training Institute (NYPTI). DFS has shown extraordinary leadership in the fight against mortgage fraud and it continues to do so under Superintendent Lawsky.
- As you know, this year's forum is entitled “From Boom to Bust” and focuses on the role that mortgage fraud has played in bringing this country's economy to crisis.

- As you also know, Mortgage fraud schemes run the gamut from equity stripping to bogus foreclosure rescues, from phony loan applications to fake property flips. And they exist across all the financial products from origination to secondary markets to related insurance products.
- And whether the economy is going up or going down, whether we're in a boom or a bust, mortgage fraudsters find ways to game the system.
- And what's worse, some have been using their professional licenses to do so, using their status as gatekeepers to gain a criminal advantage. I'm sure you'll agree with me that these are some of the most galling cases. And that's why we've been going hard after lawyers and brokers.
- These complex criminal schemes often have a more pervasive, corrupting effect on the overall mortgage lending system that hard-working and honest people need to rely on to make home ownership possible than just the face-value of the fraud.
- Over the past five years, our Office has charged hundreds of defendants with mortgage fraud crimes and brought a series of major civil mortgage fraud cases against financial institutions.

- After I became U.S. Attorney just under three years ago, our first major takedown involved charges against 41 individuals, including lawyers, mortgage brokers, and loan officers, in a \$64 million dollar mortgage fraud scheme. Dubbed “Operation Bad Deeds,” the case was investigated by many of our most important partners in the fight against mortgage fraud, including the then New York State Banking Department.
- I was proud of that case for many reasons but especially because, like we sadly see in so many other mortgage fraud cases, these scammers preyed upon the most vulnerable and desperate people at risk of losing their homes, and left them with nothing.
- And together with our partners, we’ve continued to make similarly important cases on behalf of individual victims and also reached ever higher to build cases against perpetrators at the institutional level.
- Like other state and federal prosecutors, including so many of you here today, we’ve devoted enormous resources and used every tool to uncover fraud and hold people accountable.

- Like many of you, criminal tools we've used very successfully include some we once reserved for our toughest "blue collar" cases – including search warrants, flipping key insiders, and wiretaps. And more recently, we've begun aggressively applying the full force of our civil authority to mortgage fraud enforcement – by using FIRREA, the anti-fraud injunction act, and False Claims Act.
- You've brought charges involving the entire gamut of mortgage fraud schemes, against individuals at every level of the process – straw buyers, real estate brokers, mortgage brokers, lenders, underwriters, closing attorneys, appraisers, bank officers.
- We have found that, particularly in the years leading up to the 2008 collapse of the housing market, corruption and fraud permeated the industry, at practically every level. Mortgage origination schemes, especially, seemed to be everywhere.
- After the market collapsed, we saw many of the same fraudsters turn to a new type of fraud scheme—loan modification frauds and foreclosure rescue scams. At the same time that the federal government began spending billions of dollars in taxpayer funds to bring foreclosure relief, opportunists began undermining that effort by targeting the most vulnerable.

- This is incredibly gratifying work because these frauds hit us literally where we live, sweeping harm across communities and striking at one of the pillars of the American dream – home ownership.
- And so, like you, we haven't been shy about hitting the fraudsters back where it hurts the most – their pockets – by raking back many hundreds of millions of dollars worth of criminal proceeds.
- Just last week, our Office recovered \$202.3 million from Deutsche Bank to settle charges of reckless mortgage lending practices and false certification to HUD.
- It is hard to think of another major U.S. industry where, people at every level, for years, acted with such disregard for the truth, for the law, for the moral and ethical standards of their own professional licenses – all to make a quick buck. Because no one expected to get caught holding the bag when the mortgages defaulted. And for a long time, no one expected to get caught, period.
- That has clearly changed – because of your efforts.
- But even though the market has changed and made mortgage fraud harder to commit today than it was five years ago, our work in this area is ongoing.

- As mortgage fraud persists and as criminal elements continue to adapt and find new, ever more clever ways to exploit the system, law enforcement must double down on its successes, must leverage existing partnerships, must be steadfast in its commitment to root out the insidious problem that is mortgage fraud.
- That is why this conference and others like it around the country are so important to provide vital training and a forum for discussion in this ever evolving area.
- You'll hear today from District Attorney's Offices around the state, from the New York State Attorney General's Office, and from others from the Department of Financial Services about recent mortgage fraud cases, the techniques they used, and the lessons they learned.
- And perhaps most importantly, forums like this one serve to bring all the mortgage fraud fighters together to a single place, to share stories and experiences, and to strengthen old (and forge new) partnerships. And in my Office, we are thrilled to already partner with so many of you, not the least of which is the New York State Department of Financial Services and Superintendent Lawskey.

- Many of the most successful cases are those that involve multi-agency collaborations. The law enforcement community should be commended for how it has come together to tackle mortgage fraud. We are stronger together and we learn a lot from each other.
- Finally, I'd like to end by thanking you for your service.
- When I walked in this morning, I noticed that this podium bears the seal of the New York City Fire Department. At first, I thought, what does the FDNY have to do with mortgage fraud? (Of course, the seal is there because we are in the fire department's auditorium.)
- But it's actually completely fitting because the work that you do is not unlike the work of the fire department. You help protect vulnerable people who are at risk of losing their homes – just like firefighters do.
- You show that the government works.

- People spend their entire lives waiting for the opportunity to do something meaningful, to make a difference in the world. For so many people, that moment never comes. And people like you in this room have that opportunity every single day.
- And so I encourage you to continue doing it for as long as possible.